

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 NEA-11 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 FEA-02 OMB-01 SCI-06 IO-14 FPC-01 SAJ-01 DRC-01

/235 W

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R 241852Z JAN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9933

INFO AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

USINT ALGIERS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 01326

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: ENRG, PFOR, GW

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SUBJECT: ENERGY: FRG FLIRTING WITH BILATERALISM

SUMMARY: THE MIDDLE EAST WAR AND THE CONCOMMITANT ENERGY CRISIS HAVE BROUGHT SHARPLY HOME TO FRG POLICY MAKERS GERMANY'S DEPENDENCE ON OIL IMPORTS FROM ARAB (AND IRANIAN) SOURCES. WHILE THE FRG STILL PROFESSES ITS PREFERENCE FOR MULTILATERAL SOLUTIONS TO THE ENERGY CRISIS, IT IS BEING MADE INCREASINGLY NERVOUS BY THE EFFORTS OF THE UK, FRANCE AND JAPAN TO MAKE BILATERAL ARRANGEMENTS WITH THE PRODUCER COUNTRIES. IN RESPONSE TO THESE PRESSURES, THE FRG IS BEGINNING TO EXPAND ITS OWN BILATERAL CONTACTS WITH SEVERAL OIL PRODUCING COUNTRIES. IF THE US IS GOING TO HAVE A SAY IN HOW THIS POLICY DEVELOPS, WE MUST DO SO QUICKLY WHILE THE FRG THINKING REMAINS IN THE FORMATIVE STAGE. END SUMMARY.

1. IN ITS RECENT PUBLIC STATEMENTS AND ACTIONS THE GERMAN GOVERNMENT IS PROVIDING EVIDENCE OF GIVING SERIOUS CONSIDERATION TO JOINING THE COMPETITION WITH FRANCE, UK AND JAPAN FOR THE FAVORS OF THE GOVERNMENTS OF THE OIL PRODUCING COUNTRIES. CHANCELLOR BRANDT WAS RECENTLY QUOTED AS SAYING THAT UNTIL THE EC DEVELOPED A COMMON APPROACH TO THE ENERGY CRISIS GERMANY WOULD INCREASE ITS BILATERAL CONTACTS WITH PRODUCING COUNTRIES. ECONOMICS MINISTER FRIDERICHS MADE AN EVEN STRONGER STATEMENT BEFORE THE PARLIAMENT TO THE EFFECT THAT THE FRG WOULD MAKE EFFORTS FOR INCREASED COOPERATION WITH OIL PRODUCING COUNTRIES WITHIN THE COMING MONTHS AND WOULD UNDERTAKE STEPS TO INSURE THE SUPPLY OF THE GERMAN ECONOMY WITH THE NECESSARY RAW MATERIALS. FRIDERICHS AND HIS DEPUTY ROHWEDDER PLAN A NUMBER OF VISITS TO OIL PRODUCING COUNTRIES IN THE COMING WEEKS.

2. THE PRIMARY TARGET OF GERMAN INTEREST  
THUS FAR HAS BEEN IRAN AND THE FRG VIEWS IRAN  
AS THE TEST CASE OF ITS POLICY VIS-A-VIS THE OIL  
PRODUCING COUNTRIES. THE GERMAN GOVERNMENT HAS  
BEEN ACTIVELY NEGOTIATING WITH THE IRANIAN  
GOVERNMENT ON BEHALF OF A CONSORTIUM OF GERMAN OIL  
FIRMS FOR THE CONSTRUCTION OF A 25 MILLION TON OIL  
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REFINERY. THE REFINERY WOULD BE BUILT BY  
GERMAN FIRMS, IRAN WOULD PROVIDE THE CRUDE AND  
GERMANY WOULD RECEIVE THE PRODUCT OUTPUT OF THE  
REFINERY. THE GERMAN CONSORTIUM IS HEADED BY  
GELSENBERG, AND INCLUDES VEBA, UNION KRAFTSTOFF AND  
SOME OF THE GERMAN SUBSIDIARIES OF THE MAJOR OIL  
COMPANIES. WE WERE TOLD A GERMAN NEGOTIATING TEAM  
IS NOW IN TEHRAN AND THAT MINISTER FRIDERICHS INTENDS

TO MAKE AN UNANNOUNCED TRIP THERE SOON TO HELP  
THE NEGOTIATIONS ALONG. FRIDERICH'S IS ALSO PLANNING  
TO VISIT THE SHAH IN SWITZERLAND SOMETIME NEXT MONTH.  
THE FRG HOPED TO HAVE THIS DEAL WRAPPED UP BY THE  
END OF FEBRUARY BUT IT NOW ESTIMATES THAT IT WILL  
TAKE SOMEWHAT LONGER. A SECOND MAJOR PROJECT UNDER  
ACTIVE NEGOTIATION IN IRAN INVOLVES THE DELIVERY  
OF 10 BILLION CUBIC METERS OF NATURAL GAS PER YEAR  
TO GERMANY. THE FRG DISCUSSED THIS PROJECT IN SOME  
DETAIL DURING ITS RECENT BILATERAL CONVERSATIONS  
WITH THE SOVIET UNION (REPORTED SEPTTEL).

3. IN ADDITION TO IRAN, THE FRG IS EXPANDING ITS  
CONTACTS WITH SEVERAL OTHER PRODUCING COUNTRIES.  
A. ALGERIA - THE ALGERIANS ARE REPORTED TO BE

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INFO AMEMBASSY COPENHAGEN

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C O N F I D E N T I A L SECTION 02 OF 03 BONN 01326

INSISTING THAT ANY NEW CONTRACTS FOR PETROLEUM  
DELIVERIES WILL BE LINKED TO NEW EXPLORATION VENTURES.  
THE GERMAN FIRM DEMINEX (SUPPORTED WITH GOVERNMENT  
FUNDS) HAS JUST SIGNED AN EXPLORATION CONTRACT WITH  
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SONATRACH AND THE FRG EXPECTS THAT THIS WILL PAVE  
THE WAY FOR NEGOTIATIONS ON PETROLEUM DELIVERIES.  
B. IRAQ - NEGOTIATIONS HAVE BEEN GOING ON FOR  
SOME TIME BETWEEN GERMAN FIRMS AND THE IRAQI  
GOVERNMENT. ALTHOUGH OUR GOVERNMENT SOURCES STATE  
THAT THE ABSENCE OF DIPLOMATIC RELATIONS WITH IRAQ  
IS AN OBSTACLE TO GOVERNMENT-TO-GOVERNMENT  
NEGOTIATIONS, THERE HAS BEEN SPECULATION IN THE PRESS  
THAT IRAQ IS A TARGET COUNTRY FOR GERMAN EFFORTS  
AT PRODUCING COUNTRY COOPERATION.  
C. SAUDI ARABIA - ECONOMICS MINISTRY STATE  
SECRETARY ROHWEDDER HAS ALREADY MADE ONE TRIP TO SAUDI  
ARABIA AND IS PLANNING ANOTHER. AT THIS STAGE OF  
THE GAME THESE TRIPS APPEAR TO BE ONLY FACT-FINDING  
MISSIONS TO DETERMINE THE S.A.G.'S PARAMETERS FOR  
FUTURE COOPERATION.  
D. OTHER - THE FRG HAS JUST SIGNED AN AGREEMENT  
WITH NORWAY PROVIDING A FRAMEWORK FOR PRIVATE FIRMS  
TO DELIVER 6 BILLION CUBIC METERS OF NATURAL GAS  
YEARLY TO THE FRG. THE HEAD OF THE INDONESIAN OIL  
COMPANY IBNU WAS HERE IN DECEMBER FOR A PRIVATE  
CONVERSATION WITH FINANCE MINISTER SCHMIDT AND  
LIBYAN PRESIDENT JALLUD IS REPORTED TO BE COMING TO BONN  
LATER THIS WEEK.

4. THERE ARE SEVERAL REASONS FOR THIS INCREASE IN  
FRG BILATERAL CONTACTS WITH THE PRODUCING NATIONS  
BUT THEY ALL STEM FROM GERMANY'S DEPENDENCE UPON ARAB  
(AND IRANIAN) PETROLEUM. FIFTY-FIVE PERCENT OF  
GERMANY'S ENERGY REQUIREMENTS ARE FULFILLED BY  
PETROLEUM MOST OF WHICH IS IMPORTED FROM THESE SOURCES.

THE FRG DOES NOT WANT TO DO ANYTHING THAT MIGHT  
JEOPARDIZE ITS ACCESS TO THESE PETROLEUM SOURCES  
AND INDEED IT FEELS COMPELLED TO DO WHAT IT CAN TO  
SECURE CONTINUED ACCESS TO THEM. WHEN THE ARABS  
PLACED GERMANY IN A SEPARATE CATEGORY FROM FRANCE  
AND UK DURING THE MIDDLE EAST WAR, IT STRUCK A  
SENSITIVE GERMAN NERVE. GERMANY'S ANXIETIES HAVE  
INCREASED AS IT HAS SEEN THE UK, FRANCE AND JAPAN  
SCRAMBLING FOR DEALS WITH THE ARAB PRODUCERS. GERMANY  
DOES NOT WANT TO BE LEFT OUT IN THE COLD. IN ADDITION  
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THE GOVERNMENT FEELS THE NEED TO PROTECT ITS DOMESTIC  
POLITICAL POSITION BY DEMONSTRATING TO THE PUBLIC  
THAT IT IS PROTECTING ITS INTEREST IN THE FACE OF  
THE HIGHLY PUBLICIZED ACTIVITY OF OTHER INDUSTRIAL  
COUNTRIES.

5. IN FORMULATING A MODEL FOR ITS BILATERAL RELATIONS  
WITH PRODUCERS, THE FRG IS DRAWING ON ITS BILATERAL  
TREATIES OF ECONOMIC COOPERATION WITH SEVERAL EASTERN  
EUROPEAN COUNTRIES. THESE TREATIES PROVIDE A  
CHAPEAU OR INTER-GOVERNMENTAL FRAMEWORK WITHIN  
WHICH PRIVATE GERMAN FIRMS CAN NEGOTIATE ON SPECIFIC  
PROJECTS. THE GERMANS STILL BELIEVE THAT THE  
RESPONSIBILITY FOR THE DEVELOPMENT OF A PROJECT RESTS  
WITH PRIVATE FIRMS BUT IT FEELS A GOVERNMENT CHAPEAU  
IS NECESSARY TO GIVE ITS FIRM A BETTER CHANCE AT  
GETTING THE BUSINESS. THE FRG HAS JUST BOUGHT A  
CONTROLLING INTEREST IN THE GERMAN OIL PRODUCER

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 01326

GELSENBERG IN ORDER TO GIVE IT SOME ABILITY TO PLAY  
A MORE ACTIVE ROLE IN THIS GAME. SOME OFFICIALS  
HAVE TOLD US THAT EVEN IF A COMMON EC APPROACH TO THE  
ENERGY CRISIS CAN BE WORKED OUT, THERE WILL STILL  
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HAVE TO BE INTER-GOVERNMENTAL ARRANGEMENTS BETWEEN  
THE PRODUCING COUNTRIES AND THE GOVERNMENTS OF THE  
FIRMS INVOLVED IN LARGE PROJECTS. SINCE FIRMS  
WITHIN THE EC ARE ESTABLISHED ON A NATIONAL LEVEL,  
THESE CHAPEAU AGREEMENTS WILL ALSO HAVE TO BE  
PRIMARILY BILATERAL.

6. THE GERMANS CONTINUE TO STRESS THE DESIRABILITY  
OF A MULTILATERAL APPROACH TO THE PROBLEMS OF THE  
ENERGY CRISIS IN BOTH THEIR PUBLIC AND PRIVATE  
STATEMENTS AND WE HAVE NO REASON TO DOUBT THAT THEY  
WILL WORK HARD FOR SUCH A POSITION WITHIN THE EC.

NEVERTHELESS, THEY APPEAR TO BE HEDGING THEIR BETS  
A BIT. THEY MAY VIEW BILATERALISM AS  
AN INEVITABLE WAVE OF THE FUTURE AND WANT TO  
PROVIDE THEMSELVES THE ABILITY TO RIDE WITH THE WAVE  
IF NECESSARY RATHER THAN BE DROWNED BY IT.

7. THE GERMAN THINKING ON THIS SUBJECT REMAINS VERY  
MUCH IN THE FORMATIVE STAGE AND THE GOVERNMENT DOES NOT  
APPEAR TO BE LOCKED INTO ANY CONCRETE FORMULA. THE  
FEBRUARY 11 ENERGY CONFERENCE PROVIDES AN IDEAL  
OPPORTUNITY TO SHAPE THEIR THINKING ALONG LINES  
COMPATIBLE WITH US INTERESTS -- AN OPPORTUNITY THAT IF  
NOT SEIZED NOW MAY BECOME MORE ELUSIVE IN THE FUTURE.  
HILLENBRAND

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
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**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1974/newtext/t19740120/aaaaarwx.tel  
**Line Count:** 345  
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**Original Previous Classification:** n/a  
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**Reference:** n/a  
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**Review Authority:** golinofr  
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30 JUN 2005

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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
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**TAGS:** ENRG, PFOR, GE, XF  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005